THE FINANCES.

CURRENCY REPORT.

A Speedy Return to Specie Payments Required.

Compulsory Redemption of the Currency Recommended.

A Tax of Eight or Ten Per Cent on Cotton Recommended.

Proposed Removal of the Currency Bureau to New York.

Representatives the annual report of the Comptroller of the Corrency, as required by the sixty first section of the

I have the honor to be, very respectfully, your obc FREEMAN CLARKE,

Comptroller of the Currency. Hon SCHOYLER COLFAX, Speaker of the House of Re-

Since the last annual report from this office two hun

the first Monday of October last, with an abstract of their condition on that day, an abstract of the

and the bonds withdrawn.

National 'ank of Attica, N. Y., has falled,

The First National (ank of Attira N. Y., has failed, and a receiver has been appointed to close up its affairs. Its outstanding circulation, none of which has been presented for redemption, is \$44,000, secured by \$31,500 of six per cent and \$35,500 of five per cent bonds.

CHANGE OF PIR STATE TO NATIONAL BANKS.

By section forty-four of the National Currency act any bank incorporated by special law, or banking institution organized under a general law of any State, is permitted, on the performance of certain specified requirements, to be converted into a national association, with the same powers and privileges, and subject to the same duties, responsibilities and rules as are prescribed for the associations originally organized under that law.

By the seventh section of the act amending the "Act to Provide Internal Revenue to Support the Government," approved March 3, 1865, the privilege of conversion on the part of State banks was extended so as to give a preference to those which should apply prior to the

tis State circulation and discharge all the obligations of the State initiation, while any State enactments granting privileges or imposing restrictions in conflict with or repugnant to the United States laws are necessarily void. The national currency act permits the conversion of State into national institutions without reference to State laws, and it must be concered that the laws of the United States are paramount to State enactments. The twenty-third section of the act prohibits national banks from issuing or circulating as money any notes other than such as are authorized by the provisions of the national currency act. If a national bank converted from a State institution pays out and circulates the notes of the State bank which it is bound to redeem, it certainly issues notes prohibited by the act.

If the rights of converted banks to reissue the notes of the State Bank, and also to receive national notes to the amount that their capital entitled them to were recognized, they would have had a double circulation, and the aggregate at this time would probably have been two-fold the amounts of their precent issues.

NATIONAL BANK CHECLATION.

The amount of national bank notes in actual circulation on the 1st day of October last, was.

78,807,575

Making the bank circulation on the 1st day

250,180,478

Making the bank circulation on the 1st day

Making the aggregate amount of legal ten-

From which sum should be deducted, S are bank circulation now outstanding that will be retired about as fast as malional currency is iraued to converted banks. \$78,867,575

Also the are ent of "compound interest notes" converted into \$-20 bonds since the lat of October last. \$123,284,904

Total \$490,323,007

Which show the actual circulation to be. 3460,844,229
This favorable exhibit of the amount of paper in actual circulation is owing in a great degree to the accumulation of carrency in the bands of the banks, in the absence of the great demands of the government for currency since the close of the war.

As an erroneous impression may prevail as to the aggregate amount of lawful money that banks are required to hold, it is thought proper to state that as the liabilities stood on the first day of October the required sum was \$74,261,847 over the amount that banks were permitted to have to their credit, and count as part of the same, in banks acting as redeeming agents. The banks held at that time \$14,966,143 in coin, which, deducted from \$74,251,847, leaves \$59,295,704, the sum that they should have held in legal tender notes to fulfil the requirements of the law.

It will be seen, therefore, that the sum held, in law.

would seem to point to such an adjustment of the tarif, intermediate to the resumption of specie payments, as to discourage inordinate importations. This can be done by increasing the rate of duties just in proportion as the price of gold and foreign exchange may recede, thus keeping up the cost of importations as high as they now are, including the present rate of foreign exchange. This could be followed by a graduated reduction of such increase, say ten per cent, at the expiration of each six months, until brought down to the original rate. Imports would be held back in view of such reduction, and there would be no overwhelming crash resulting from a sudden iall of prices; but business would adjust itself to the present and prospective condition in which it would be placed under the legislation indicated. In the meantime, by a steady reduction of the volume of irredeemable currency; and consequent reduction of prices, we would be able once more to place our manufactured and agricultural productions on a footing that would enable them to enter into successful competition with those of other nations in the markets of the world.

THE PIRST STEP TO BE TAKEN IN THE WORK OF REDUC-

agricultural productions on a footing that would enable them to enter into successful competition with those of other nations in the markets of the world.

THE THEST STEP TO BE TAKEN IN THE WORK OF REDUCTION.

As the first step to be taken inwards a reduction of the government issues used as currency, sound policy would indicate the conversion of all the interest-bearing legal tender notes into 5-20 six per cent bonds. It is believed that the slight contraction caused by such conversion would be scarcely perceptible, more especially at this time, as it is not probable that more than the per cent of the whole issue is now in active circulation. It would be simply exchanging one security held as an investment for another, as it is not probable that more than the per cent of the whole issue is now in active circulation. It would be simply exchanging one security held as an investment for another, as it is not probable that more than the reports, held on the list of October last \$193,694,505, indicate the rotes, or \$223,724,462 more than the whole amount of their national bank circulation at that time; they also held in motes of other banks \$16,287,152, and of their own notes not in circulation \$19,823,152, making a total of unemployed circulation of the country on the 1st of January, 1864, or at any previous period.

AN EXENENDED LIMIT TO THE CIRCULATION DESTRABLE.

In view of the urgest demand that will undoubledly be made for an increase of the national bank circulation, and as a gentle mode of further reducing the volume of legal tender notes, it is suggested that the national carrency act be so amended as to allow an increase of the limit to four hundred million of dollars, on conditions and as agentle mode of further reducing the volume of legal tender notes, it is suggested that the national carrency as the sea and markets be required to redeem their notes in New York, Boston of Philadelphia; and also that an issue of six powers and the carried to the market in the overage of the further to the property of t

pledged by Congress become inoperative because an asso-ciation has loaned to the government the money for which it holds those obligations? Surely, the exemption belongs to some person, and to whom can it he assigned but to the respective stockholders, whose scrip simply represents the proportionate share which each has contributed to the purchase of the gov-ernment securities? Upon the theory propounded, an individual who purchases one hundred thousand dollars of government stock for a specific purpose may plead and receive the exemption from State taxation which the act of Congress pledges; but if four persons purchase the like amount for a similar purpose, and each receives a certificate of the amount he has paid towards the gross investment, they lose all benefit of the immunity at-tached to the securities in hand. The injustice, if not the absurdity, of such discrimination must be sufficiently obvious.

like amount for a similar purpose, and each reactives a certificate of the amount he has paid towards the gross investment, they lose all benefit of the innunity attached to the securities in hand. The injustice, if not the absurdity, of such discrimination must be sufficiently obvious.

Nor will the impropriety of the proposed taxation of national banks be less apparent when it is borne in mind that they are aiready taxed by the general government to a greater extent than any other corporations or class of business. The law of their creation requires them to perform certain duties and authorizes them to exercise certain privileges, yet for this they must pay a license. It imposes also a tax of one-half of one per cent on their deposits, one per cent on their capital beyond the amount invested in government securities, and five per cent on their capital beyond the amount invested in government securities, and five per cent on their income or carnings. All this is paid from the ordinary earnings of a bank, and reduces its profits to the extent of the taxes paid, whereas all other corporations, manufacturers, &c., are permitted to increase their rates and charges to a sum more than adequate to cover the amount of taxes paid, thus preserving their profits intact, and casting their burdens upon the public, in the capacity of consumers, travellers, &c.

It is not through palpable injustice to vested interest, and by a discraceful violation of public faith, that the subject of State taxation should be reached. If public policy demands a contribution to State and local expenses at the hands of these institutions, there is a mode of altainment not distant which can be reached without a breach of national hone. Kearly three-fourths of the public dobt is either not tunded, or matures at the option of the government within a short period, and aimset the whole amount within the next eight years. It is within the power of the control of the capital propers of the prevent of the prevent of the prevent of the prevent of the p

The government already owns the buildings in New York which a transfer of the office would require for its accommodation, that are now rented for about the sum the Treasury bepartment is paying for an equal amount of room outside of the Treasury building that would be vacaited by the removal of the burcau. I am satisfied, therefore, that the interests of the government, the public and the banks would be subserved by a transfer of the burcau to New York at an early day.

With a system of redemption properly enforced, the banks located out of the cities named as redeeming points should be relieved from the obligation to keep a reserve equal to fifteen per cent of their circulation and deposits constantly on hand. It would be a hardship to require banks to be prepared to redeem both at home and at one of the points indicated, and in addition to keep an idle reserve of fifteen per cent against continuencies.

Aggregate Receipts During the Fiscal Year \$211,129,529.

A More Perfect Organization of the Bureau Demanded. &c. &c. &c.

TRRASURY DEPARTMENT, OFFICE INTERNAL REVENUE, WASHINGTON, Nov. 30, 1865.

Hon. Joseph J. Lewis having resigned the office of Commissioner, July 1, 1865, and his successor, Hon. Wm. Orton, so lately as November 1, instant, the duty of preparing the annual report of the office unexpectedly devolved upon me at so late a period as, of itself, to preclude the expectation of a voluminous report from me at this time, while the laborious service of the "Revenue

volved upon me at so late a period as, of itself, to precide the expectation of a voluminous report from me at this time, while the laborious service of the "Revenue Commission," with powers and duties defined in the nineteenth section of the act of March last, makes it inappropriate that I should present my views upon such subjects as may have come within its consideration before it shall have prepared the report contemplated by the statute. At its request, however, I will at that time, if desired by the Secretary of the Treasury, submit what experience in this office shall have taught me in relation to the several changes it may propose in the law.

In the course of the present report, however, I shall offer a few recommendations affecting mainly the administration of the law, and only those parts of it to which I understand it is not the purpose of the commission to give special attention.

PATENCE OF THE FROTE UNDER TAXATION.

It is a matter of sincere congratulation that, thus far, the people of this country have so gestiently borne the burden which has been put upon them, and have so freely contributed of their substance to fill the national treasury. With few exceptions the demand of the tax collector has been met promptly and willingly. And when it is recollected that the present generation only know by tradition, or by reference to obsolete statutes, that taxes have ever been impased in this country upon articles of their sum manufacture, and the objects of internal traffic, or upon the various crafts or professions in which they are employed; and when, toe, it is considered that the receipts of this government, from whatever sources, except loans and Treasury notes, from its organization to the war of 1812; and when it is further considered that the amount was contributed at a time when the commercial marine of the country had been nearly destroyed, and more than a million of hardy men when the commercial marine of the country had been nearly destroyed, and more than a million of hardy men when the co He may through physicals injustice to reside interest (100). The state of the properties of the contribution of the state of the contribution of the contr

RECEIVES FORM SPECIAL SOURCES.

It may not be unprofitable to present in juxtapo the amounts received from several of the most im ant sources of revenue, with brief suggestions in reto their differences. It should be borne in mind, ever, that the law was in operation but ten months the year ending June 30, 1963.

BANES, TRUST COMPANIES AND SAVINGS INSTITUTIONS 1963. 1864.

October, 1863.

"Capital" was first charged under the act of June 30, 1864, when the duty upon "creulation" was increased. By the act of March 3, 1865, the tax upon deposits was extended to savings banks having no capital stock. The taxes upon the "capital," "circulation" and "deposits" of national banks are not received at this office, nor included in the above.

5,894,945 11,162,392

From September 1, 1862, to March 3, 1863, the tax wone dollar perbarrel, of not more than thirty-one glons; from that date to April 1, 1864, sixty cents, a since that time one dollar.

The number of barrels upon which tax was receive as nearly as can be ascertained, was 1,705,827 in 186 3,459,119 in 1864, and 3,657,181 in 1865.

increase of price in spirits, and therefore not necessarily a cause of permanent failing off in average.

We feel justified in assigning to the bad harvest of last year a large share in rate filling consumption, both immediately and consequences of the year that, although the quantity of the occurrences of the year that, although the quantity of the occurrences of the year that, although the quantity of the occurrences of the year that, although the quantity of the occurrences of the year that, although the quantity of the occurrences of the year that, although the quantity of the occurrences of the year that, although the quantity of the entitled to reckon with certainty upon charging at the least twenty million gallons in the present year, and might least twenty million gallons in the present year, and might fairly expect, if the country continues in a prosperous state, an addition to that amount of one million or one million free hundred thousand gallons.

By the subsequent reports of the same Commissioness, it appears that their estimates were fully confirmed.

Upon such experience we can now reasonably has one expectations. Our circumstances are not dissimilar. Our markets are now exhausted of spirits distilled before tanalion, or subjected only to the earlier rates. The supplies for consumption must now pay the existing duty, and the receipts for the current year will, I am confidunt, far exceed the aggregate of all receipts from the ansource prior thereto.

It is certain that immense frauds have been perpetuated, for such have been discovered and prosecuted to judgment or to compromise; but the increasing experience and vigilance of our officers, and the appointment of others for special duty at distilleries, will prevent large loss to the government. The Revenue Commission will, I hepe, suggest additional checks to be authorized by further legislation; but so long as avarice and falsity as a part of humanity, revenue laws, however thoroughly administered, will be sometimes evaded.

The number of illicit